



Health Care Financing Trends

Summer 1980

Information through March 1980 on:

- National Health Expenditures
- Community Hospital Statistics
- Health Care Prices
- Employment, Hours, and Earnings of Health Workers
- National Economic Indicators

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Office of Research, Demonstrations, and Statistics

Health Care Financing Trends

The Health Care Financing Administration (HCFA) was established to combine health financing and quality assurance programs into a single agency. HCFA is responsible for the Medicare program, Federal participation in the Medicaid program, the Professional Standards Review Organization program, and a variety of other health care quality assurance programs.

The mission of the Health Care Financing Administration is to promote the timely delivery of appropriate, quality health care to its beneficiaries—approximately 47 million of the nation's aged, disabled, and poor. The Agency must also ensure that program beneficiaries are aware of the services for which they are eligible, that those services are accessible and of high quality, and that Agency policies and actions promote efficiency and quality within the total health care delivery system.

HCFA's Office of Research, Demonstrations, and Statistics (ORDS) conducts studies and projects that demonstrate and evaluate optional reimbursement, coverage, eligibility, and management alternatives to the present Federal programs. ORDS also assesses the impact of HCFA programs on health care costs, program expenditures, beneficiary access to services, health care providers, and the health care industry. In addition, ORDS monitors national health care expenditures and prices and provides actuarial analyses on the costs of current HCFA programs as well as the impact of possible legislative or administrative changes in the programs.

Trends contains tables and analyses highlighting economic developments in the health care sector. Each quarter recent data are presented on:

- national health expenditures, by type of service and source of funds;
- community hospital statistics, measured by the American Hospital Association;
- consumer price indexes, measured by the Bureau of Labor Statistics;
- employment, hours, and earnings of health workers, also from the BLS; and
- a variety of national economic indicators, such as the Gross National Product and the aggregate rate of unemployment.

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Section A. National Health Expenditures and Related Measures for the Year Ending in March 1980

During the twelve months ending March 1980, national health expenditures were \$219.4 billion, up 13.0 percent from the same period one year earlier (Table A-1, Figure 1). Health care spending was equal to 9.0 percent of the Gross National Product, unchanged from calendar year 1979.

These estimates of health care spending have been compiled by staff members of the Office of Research, Demonstrations, and Statistics, and are comparable to estimates of calendar-year spending published in the *Health Care Financing Review* [Gibson, 1980]. They are based on the latest data available, and should be regarded as preliminary.

COMPONENTS OF TOTAL EXPENDITURES

Annual growth rates of the various components of national health expenditures were not uniform. Growth of personal health care expenditures—covering the direct provision of health care—which had been growing at an annual rate of 12-13 percent through calendar year 1979, reached a rate of 13.6 percent for the year ending March 1980. Expenditures for hospital care were \$88.5 billion. (See Section B for data on community hospitals.) The downward trend in annual growth of hospital expenditures, which began in calendar year 1975, bottomed out at 11.8 percent in the year ending June 1979, and increased steadily thereafter to a rate of 13.5 percent for the year ending March 1980. The percentage change in most other components of personal health care showed mixed trends. Expenditures for physicians' services were \$41.9 billion; \$14.1 billion was spent for dentists' services and \$4.9 billion for services of other professionals. Combining these three categories of spending, growth in expenditure for professional services was 14.0 percent, compared to the 13.7 percent rate for calendar year 1979. Nursing home expenditures were \$18.4 billion, 17.0 percent higher than in the previous year. Spending for other types of personal care—for drugs, eyeglasses, etc.—exhibited mixed movement in annual growth rates.

The annual growth rate of expenses for prepayment and administration has oscillated historically. The

fluctuation in dollar spending is due to the category's more volatile component—prepayment, the difference between premiums earned and claims incurred by health insurers. Prepayment expense had been growing rapidly from very low levels in 1975-1976, dipped in 1978, and began another upswing in 1979.

Expenditures for research and for construction of medical facilities both grew more rapidly in the year ending March 1980 than they did in calendar year 1979. Government public health activity, on the other hand, showed steadily declining growth.

PERSONAL HEALTH CARE EXPENDITURES

In the twelve months ending March 1980, personal health care expenditures were \$195.1 billion (Table A-2). These figures imply an expenditure of \$865 *per capita* for health care, including \$392 for hospital care and \$186 for physicians' services (Table A-3). Expenditure *per capita* was \$97 higher than in the previous year, an increase of 12.6 percent.

As shown in Table A-4, about three-fifths of personal health care expenditures were funded through private channels—private health insurance, philanthropy, industrial programs, and direct consumer payments. The Federal Government funded about 28 percent of the total, and State and local governments funded the remaining 12 percent. Public sources accounted for more than half of the payments for hospital care, and more than a quarter of the payments for physicians' services and other types of personal health care. (See Figure 2.)

As had been the case since mid-1977, roughly three-quarters of the growth in personal health care expenditures was attributable to inflation¹ (Table A-5). Another fifth of the growth of expenditures for the twelve months ending March 1980 was due to increases in "intensity"—frequency of care, quality of care, and so on. Population growth accounted for the remainder of expenditure growth.

¹The measure of inflation used here is the "fixed-weight price index for personal health care expenditures." It is a weighted average of the same prices used to derive the "implicit price deflator for personal health care" [Gibson, 1979], but the price weights, 1972 expenditure levels, are held constant.

FIGURE 1
National Health Expenditures, by Type of Expenditure
Selected Twelve-month Periods, 1976-1980

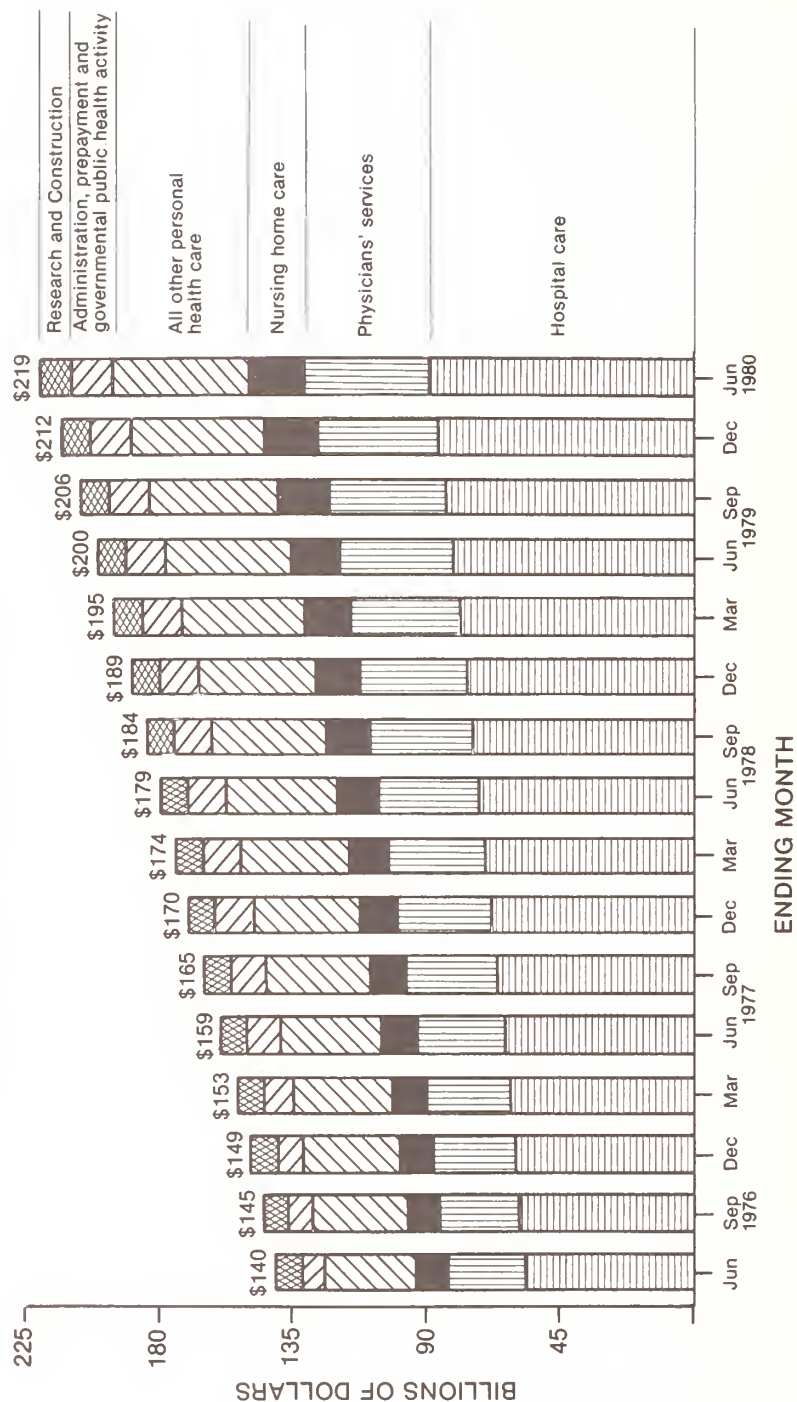


FIGURE 2
Personal Health Care Expenditures, by Source of Funds
Selected Twelve-month Periods, 1976-1980

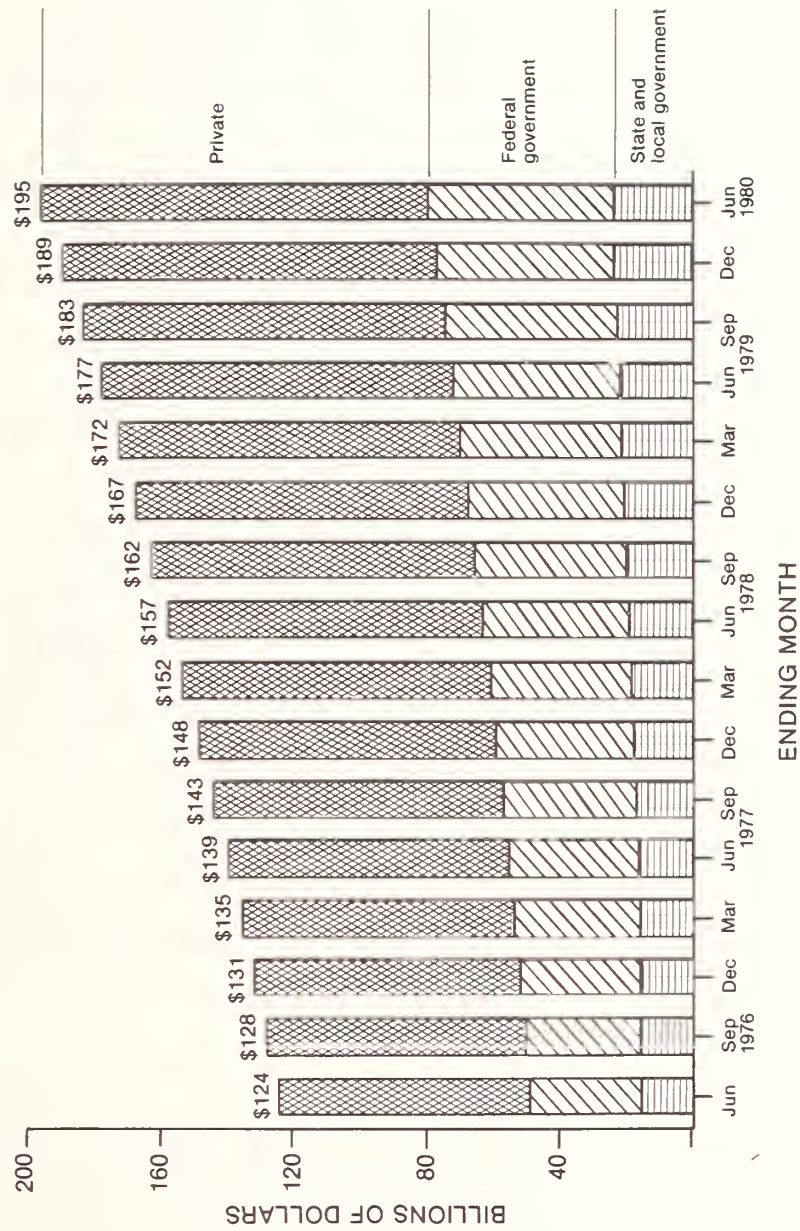


Table A-1. National Health Care Expenditures, by Type of Expenditure

Type of Expenditure	Twelve-month Period Ending						
	March			June	September	December	March
	1977	1978	1979	1979	1979	1979	1980
Amount (billions)							
Total	\$153.5	\$174.3	\$194.6	\$200.3	\$206.0	\$212.2	\$219.2
Health services and supplies	144.3	165.1	185.0	190.7	196.3	202.3	209.0
Personal health care	134.7	152.4	171.7	177.1	182.6	188.6	195.1
Hospital care	61.5	69.6	78.0	80.2	82.6	85.3	88.5
Physicians' services	28.3	33.0	36.8	38.0	39.3	40.6	41.9
Dentists' services	9.7	10.8	12.3	12.7	13.2	13.6	14.1
Other professional services	3.3	3.7	4.2	4.4	4.5	4.7	4.9
Drugs and drug sundries	13.1	14.3	15.8	16.2	16.6	17.0	17.4
Eyeglasses and appliances	3.3	3.5	4.1	4.2	4.3	4.4	4.5
Nursing home care	11.5	13.3	15.7	16.4	17.1	17.8	18.4
Other personal health care	3.9	4.1	4.7	4.9	4.9	5.2	5.4
Prepayment and administration	5.7	8.2	7.8	7.9	7.8	7.7	7.7
Government public health activity	4.0	4.5	5.5	5.7	5.9	6.0	6.2
Research and construction	9.1	9.2	9.6	9.6	9.7	9.9	10.1
Research	3.7	4.0	4.4	4.4	4.5	4.6	4.7
Construction of medical facilities	5.5	5.2	5.2	5.1	5.2	5.3	5.4
Addenda: Gross National Product (GNP)	1,743.8	1,947.3	2,197.7	2,254.1	2,313.4	2,368.8	2,424.8
National health expenditure as a share of the GNP	8.8%	8.9%	8.9%	8.9%	8.9%	9.0%	9.0%
Annual Percentage Change							
Total	12.6	13.6	11.7	11.8	12.0	12.5	12.6
Health services and supplies	12.9	14.4	12.1	12.3	12.5	13.0	13.0
Personal health care	11.8	13.1	12.7	12.7	12.8	13.2	13.6
Hospital care	13.3	13.1	12.1	11.8	11.9	12.5	13.5
Physicians' services	9.9	16.4	11.6	11.8	12.6	13.4	13.7
Dentists' services	14.3	11.5	13.5	14.0	14.4	14.4	14.5
Other professional services	20.8	10.9	14.9	15.1	15.3	14.9	14.9
Drugs and drug sundries	8.7	9.6	10.3	10.7	11.2	10.4	10.4
Eyeglasses and appliances	8.8	7.1	15.2	16.0	12.8	10.3	9.6
Nursing home care	10.3	15.7	18.0	18.1	18.1	17.9	17.0
Other personal health care	7.1	4.8	16.1	15.5	13.2	12.9	14.6
Prepayment and administration	41.6	43.6	-4.3	.4	2.8	7.2	-.8
Government public health activity	20.1	14.6	21.5	19.2	16.5	14.4	12.9
Research and construction	7.4	.6	4.2	2.9	2.4	3.7	5.8
Research	7.3	8.4	10.7	8.1	5.7	6.7	7.7
Construction of medical facilities	7.4	-4.6	-.7	-1.2	-.3	1.2	4.2
Addendum: Gross National Product	10.5	11.7	12.9	12.5	12.2	11.3	10.3

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-2. Personal Health Care Expenditures, by Type of Expenditure and Source of Funds
(Billions)

Source of Funds	Twelve-month Period Ending						
	March			June 1979	September 1979	December 1979	March 1980
	1977	1978	1979				
Personal Health Care							
Total	\$134.7	\$152.4	\$171.7	\$177.1	\$182.6	\$188.6	\$195.1
Private funds	82.0	92.4	102.9	106.1	109.2	112.7	116.4
Public funds	52.7	60.0	68.8	71.0	73.4	75.9	78.7
Federal government	37.3	42.3	48.5	49.9	51.5	53.3	55.5
State and local government	15.4	17.7	20.4	21.1	21.9	22.6	23.2
Hospital Care							
Total	\$61.5	\$69.6	\$78.0	\$80.2	\$82.6	\$85.3	\$88.5
Private funds	28.0	31.4	34.6	35.5	36.4	37.6	39.1
Public funds	33.5	38.2	43.4	44.7	46.2	47.7	49.4
Federal government	24.6	27.9	31.8	32.7	33.8	34.9	36.3
State and local government	8.9	10.3	11.7	12.0	12.4	12.8	13.2
Physicians' Services							
Total	\$28.3	\$33.0	\$36.8	\$38.0	\$39.3	\$40.6	\$41.9
Private funds	21.1	24.7	27.2	28.1	29.0	30.0	30.9
Public funds	7.2	8.3	9.6	9.9	10.3	10.6	11.0
Federal government	5.3	6.2	7.2	7.4	7.7	8.0	8.3
State and local government	1.9	2.1	2.4	2.5	2.6	2.6	2.7
Other Personal Health Care							
Total	\$44.8	\$49.8	\$56.9	\$58.8	\$60.7	\$62.6	\$64.7
Private funds	32.9	36.3	41.1	42.5	43.7	45.0	46.4
Public funds	11.9	13.5	15.8	16.4	16.9	17.6	18.3
Federal government	7.4	8.2	9.5	9.8	10.1	10.4	10.9
State and local government	4.6	5.3	6.3	6.6	6.9	7.1	7.4

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-3. Personal Health Care Expenditures per Capita, by Type of Expenditure and Source of Funds

Source of Funds	Twelve-month Period Ending						
	March			June	September	December	March
	1977	1978	1979	1979	1979	1979	1980
Personal Health Care							
Total	\$613	\$687	\$768	\$790	\$813	\$838	\$865
Private funds	373	417	460	473	486	501	516
Public funds	240	271	308	317	327	337	349
Federal government	170	191	217	223	229	237	246
State and local government	70	80	91	94	97	100	103
Hospital Care							
Total	\$280	\$314	\$349	\$358	\$368	\$379	\$392
Private funds	127	142	155	159	162	167	173
Public funds	153	172	194	199	206	212	219
Federal government	112	126	142	146	150	155	161
State and local government	40	46	52	54	55	57	58
Physicians' Services							
Total	\$129	\$149	\$165	\$170	\$175	\$180	\$186
Private funds	96	111	122	125	129	133	137
Public funds	33	38	43	44	46	47	49
Federal government	24	28	32	33	34	36	37
State and local government	9	10	11	11	12	12	12
Other Personal Health Care							
Total	\$204	\$225	\$254	\$263	\$270	\$278	\$287
Private funds	150	164	184	190	195	200	206
Public funds	54	61	71	73	75	78	81
Federal government	33	37	43	44	45	46	48
State and local government	21	24	28	29	31	32	33
Addendum: population (thousands)	219,827	221,690	223,656	224,124	224,538	225,041	225,657

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-4. Percentage Distribution by Source of Funds, for Selected Types of Personal Health Care Expenditures

Source of Funds	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
Personal Health Care							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	60.9	60.6	59.9	59.9	59.8	59.8	59.7
Public funds	39.1	39.4	40.1	40.1	40.2	40.2	40.3
Federal government	27.7	27.8	28.2	28.2	28.2	28.3	28.4
State and local government	11.4	11.6	11.9	11.9	12.0	12.0	11.9
Hospital Care							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	45.5	45.1	44.3	44.3	44.1	44.1	44.1
Public funds	54.5	54.9	55.7	55.7	55.9	55.9	55.9
Federal government	40.1	40.1	40.7	40.8	40.9	40.9	41.0
State and local government	14.5	14.8	15.0	14.9	15.0	15.0	14.9
Physicians' Services							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	74.4	74.7	73.9	73.9	73.9	73.8	73.8
Public funds	25.6	25.3	26.1	26.1	26.1	26.2	26.2
Federal government	18.8	18.8	19.6	19.6	19.6	19.7	19.8
State and local government	6.8	6.5	6.5	6.6	6.6	6.5	6.3
Other Personal Health Care							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	73.4	73.0	72.3	72.2	72.1	71.9	71.8
Public funds	26.6	27.0	27.7	27.8	27.9	28.1	28.2
Federal government	16.4	16.5	16.7	16.6	16.6	16.7	16.8
State and local government	10.2	10.6	11.0	11.2	11.3	11.4	11.4

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-5. Personal Health Care Expenditures In Current and Constant Dollars, and Factors Affecting Growth

	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
Levels							
Personal health care expenditures							
Billions of current dollars	\$134.7	\$152.4	\$171.7	\$177.1	\$182.6	\$188.6	\$195.1
Billions of 1972 dollars	\$96.7	\$101.2	\$105.3	\$106.3	\$107.1	\$108.1	\$109.0
Implicit price deflator	139.3	150.6	163.0	166.6	170.5	174.4	179.0
Fixed-weight price Index *	139.2	150.5	162.9	166.5	170.4	174.3	178.9
Annual Percentage Change							
Personal health care expenditures							
Current dollars	11.8	13.1	12.7	12.7	12.8	13.2	13.6
1972 dollars	3.2	4.6	4.1	3.8	3.6	3.6	3.4
Fixed-weight price Index	8.3	8.1	8.2	8.5	9.0	9.2	9.8
Population	.8	.8	.9	.9	.9	.9	.9
Distribution of Annual Growth Among Factors							
All factors	100%	100%	100%	100%	100%	100%	100%
Prices	73	63	67	69	72	72	74
Population	7	7	7	7	7	7	7
Intensity	20	30	26	24	21	21	19

* Calendar year 1972 = 100.0

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Section B. Selected Community Hospital Statistics from the National Hospital Panel Survey

The monthly National Hospital Panel Survey is conducted by the American Hospital Association (AHA) of a sample of community hospitals (stratified by size and geographic location) drawn from the membership of the AHA. Survey results are reported in *Hospitals*, *J.A.H.A.*, a biweekly magazine published by the AHA.

Community hospitals comprise "all nonfederal short-term general and other specific hospitals—excluding hospital units of institutions [after 1971]—whose facilities and services are available to the public" [*American Hospital Association*].

For the most recent comparison of the panel survey data and statistics from the AHA Annual Survey of Hospitals, see Bisbee and Bachofer (1979).

Table B-1. Selected Community Hospital Statistics from the National Hospital Panel Survey

Statistic	Twelve-month Period Ending						
	March			June	September	December	March
	1977	1978	1979	1979	1979	1979	1980
Level							
Utilization:							
Beds (thousands)	936	947	957	958	959	959	n.a.
Admissions (thousands)	34,548	35,355	35,812	35,969	36,249	36,508	36,887
Inpatient days (thousands)	253,861	256,134	257,386	258,102	259,361	260,792	n.a.
Adjusted patient days (thousands)	288,689	292,572	295,479	296,525	297,942	299,531	302,899
Adult occupancy rate	74.3%	74.1%	73.7%	73.8%	74.1%	74.5%	n.a.
Adult length of stay (days)	7.3	7.2	7.2	7.2	7.2	7.1	n.a.
Operating expenses:							
Total (millions)	\$47,578	\$54,645	\$61,679	\$63,611	\$65,612	\$67,833	\$70,354
Payroll (millions)	\$24,113	\$27,341	\$30,685	\$31,649	\$32,638	\$33,722	n.a.
Nonpayroll (millions)	\$23,465	\$27,303	\$30,994	\$31,962	\$32,974	\$34,111	n.a.
Per adjusted patient-day	\$164.81	\$186.77	\$208.74	\$214.52	\$220.22	\$226.46	\$232.27
Full-time equivalent personnel:							
Total (thousands)	2,467	2,585	2,678	2,700	2,723	2,747	n.a.
Per bed	2.6	2.7	2.8	2.8	2.8	2.9	n.a.
Annual Percentage Change							
Utilization:							
Beds	2.3	1.2	1.0	1.0	.7	.6	n.a.
Admissions	1.8	2.3	1.3	1.4	2.0	2.7	3.0
Inpatient days	1.5	.9	.5	.6	1.0	1.6	n.a.
Adjusted patient days	1.8	1.3	1.0	1.1	1.3	1.7	2.5
Adult occupancy rate	-.4 *	-.2 *	-.4 *	-.2 *	.2 *	.8 *	n.a.
Adult length of stay	-.3	-1.4	-.8	-.7	-1.0	-1.0	n.a.
Operating expenses:							
Total	17.9	14.9	12.9	13.0	13.1	13.4	14.1
Payroll	14.9	13.4	12.2	12.6	12.7	13.1	n.a.
Nonpayroll	21.2	16.4	13.5	13.4	13.5	13.8	n.a.
Per adjusted patient-day	15.9	13.3	11.8	11.7	11.6	11.5	n.a.
Full-time equivalent personnel:							
Total	5.8	4.8	3.6	3.6	3.5	3.5	n.a.
Per bed	3.4	3.5	2.6	2.7	2.7	2.9	n.a.

n.a. not available to the Health Care Financing Administration at press time

* period-to-period change in percentage

Source: Hospital Data Center, American Hospital Association

Section C. Medical Care Prices

Average medical care prices measured by the Consumer Price Index (CPI) grew 9.7 percent during the year ending March 1980—two-and-a-half percentage points less than growth in the general price level (Table C-2). The cumulative growth of medical care prices since calendar year 1967 was still greater than that of the general price index (the CPI for all items), as indicated by a relatively higher index value (Table C-1). However, acceleration of housing and gasoline prices within the last two years has had a much more inflationary effect on the all-items index, so that general price growth outpaced growth of medical prices beginning in the year ending March 1979—for the first time since the Economic Stabilization Program of 1971-1974.

As had been true historically, prices of medical commodities (mainly prescription and nonprescription drugs) grew less than did either medical service prices or prices in general. However, beginning in the year ending June 1979, overall CPI growth was faster than that of medical services, a reversal of historical relationships. In the post-ESP period, hospital room rates—one component of medical services—had been growing as much as 8 percentage points faster than the CPI for all items (calendar years 1975 and 1976); that spread had disappeared by calendar year 1979. (See Figure 3.)

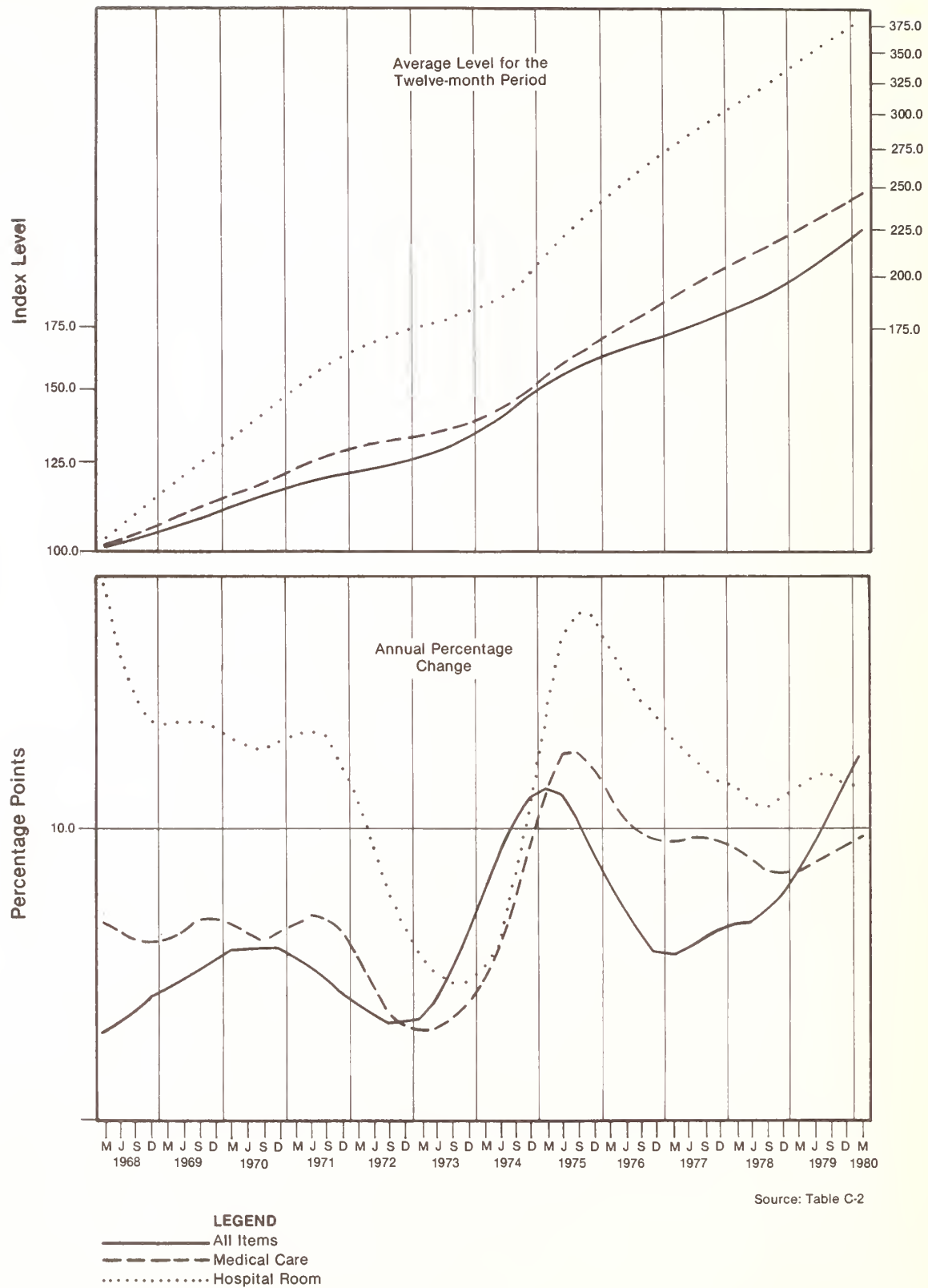
Part of the resistance to acceleration shown by the medical care CPI, compared to the CPI for all items,

may be explained by the Voluntary Effort program to hold down prices and costs without Federal intervention. Further, inflation of food, gasoline, and housing prices affects the health sector much less than it affects the typical family for which the CPI is designed. For a more complete discussion of Consumer Price Indexes, see the *CPI Detailed Report* [BLS].

The inappropriateness of the CPI as a measure of institutional price experience led HCFA to develop the National Hospital Input Price Index [Freeland, Anderson, and Schendler]. This index is similar in nature to the CPI, but is designed to reflect prices faced by hospitals rather than by consumers. For the year ending March 1980, the average level of the index was 10.8 percent higher than the previous year, extending an upward trend in the rate of growth which began in the year ending September 1978 (Table C-3). Rapid acceleration of nonlabor input prices, especially energy prices, and increases in short-term interest rates were responsible for the increase in the annual growth of the index.

HCFA has also constructed a comparable index for skilled nursing homes. Annual growth in this index increased to 9.9 percent, following a plateau in growth. Despite changes in the minimum wage, which could be expected to exert upward pressure on the index—more than one-third of nursing home employees earn wages at or near the federal minimum—the recent inflationary impetus came from nonlabor prices, particularly those of fuel and short-term capital.

FIGURE 3
Selected Average Consumer Price Indexes:
Levels and Percentage Changes
by Selected Twelve-month Periods 1968-1980



Source: Table C-2

Table C-1. Selected Average Consumer Price Indexes for All Urban Consumers
(Calendar 1967 = 100 Unless Noted)

Index Item	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
All Items	172.9	184.4	200.1	205.2	211.0	217.4	224.8
All Items less medical care	172.0	183.1	198.6	203.8	209.6	216.1	223.5
Apparel and upkeep	149.3	155.4	161.2	162.8	164.6	166.6	169.3
Energy	193.5	210.2	226.1	237.2	255.2	275.9	302.6
Food	182.5	196.0	217.8	223.7	229.1	234.5	238.9
Housing: shelter	181.3	195.2	216.5	223.2	230.7	239.7	250.2
Medical care	189.0	206.6	224.2	229.1	234.3	239.7	245.9
Medical care services	201.8	221.4	240.9	246.4	252.2	258.3	265.3
Professional services	183.0	197.8	213.1	217.5	222.2	226.8	232.3
Physicians' services	192.8	210.5	227.9	232.8	238.2	243.6	249.4
Dental services	175.1	188.4	202.1	206.3	210.5	214.8	220.3
Other professional services *	---	---	105.9	107.6	109.5	111.1	113.4
Other medical care services **	224.8	250.0	274.5	281.3	288.5	296.4	305.3
Hospital and other medical services *	---	---	109.0	111.8	114.6	117.6	121.0
Hospital room	276.1	307.4	342.1	351.7	361.1	370.3	381.0
Other hospital and medical care services *	---	---	108.5	111.1	113.7	116.8	120.1
Medical care commodities	127.8	136.5	146.0	148.5	151.1	153.8	156.8
Prescription drugs	116.8	124.4	134.1	136.6	139.2	141.8	144.6
Nonprescription drugs and medical supplies *	---	---	105.2	106.8	108.6	110.5	112.7
Eyeglasses *	---	---	103.3	104.6	106.1	107.8	109.7
Internal and respiratory over-the-counter drugs	141.1	151.1	161.8	164.6	167.6	170.7	174.4
Nonprescription medical equipment and supplies *	---	---	104.8	106.2	107.8	109.4	111.3

* December 1977 = 100.0

** Includes hospital and other medical services (nursing homes), and health insurance (not shown separately).

Source: based on data from the Bureau of Labor Statistics, U.S. Department of Labor

Table C-2. Annual Percentage Change in Selected Average Consumer Price Indexes for All Urban Consumers

Index Item	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
All items	5.6	6.7	8.5	9.4	10.3	11.3	12.3
All items less medical care	5.3	6.5	8.5	9.5	10.4	11.4	12.5
Apparel and upkeep	4.2	4.1	3.7	3.8	4.0	4.4	5.0
Energy	7.1	8.6	7.6	11.3	17.9	25.2	33.8
Food	2.8	7.4	11.1	11.5	11.3	10.9	9.7
Housing: shelter	5.2	7.7	10.9	11.8	12.7	13.9	15.6
Medical care	9.5	9.3	8.5	8.7	9.1	9.3	9.7
Medical care services	10.0	9.7	8.8	9.1	9.5	9.7	10.1
Professional services	8.7	8.1	7.7	8.0	8.4	8.6	9.0
Physicians' services	10.7	9.2	8.3	8.5	8.9	9.2	9.4
Dental services	6.4	7.6	7.3	7.6	8.1	8.4	9.0
Other professional services	---	---	---	---	---	6.8	7.1
Other medical care services *	11.2	11.2	9.8	10.1	10.5	10.8	11.2
Hospital and other medical services	---	---	---	---	---	10.7	11.0
Hospital room	13.0	11.3	11.3	11.7	11.9	11.4	11.4
Other hospital and medical care services	---	---	---	---	---	10.3	10.7
Medical care commodities	6.0	6.8	7.0	7.0	7.1	7.2	7.4
Prescription drugs	5.4	6.5	7.8	7.7	7.7	7.8	7.8
Nonprescription drugs and medical supplies	---	---	---	---	---	6.7	7.1
Eyeglasses	---	---	---	---	---	5.5	6.2
Internal and respiratory over-the-counter drugs	6.6	7.1	7.1	7.2	7.3	7.4	7.8
Nonprescription medical equipment and supplies	---	---	---	---	---	6.0	6.2

* Includes hospital and other medical services (nursing homes), and health insurance (not shown separately).

Source: based on data from the Bureau of Labor Statistics, U.S. Department of Labor

Table C-3. The National Hospital Input Price Index and the National Nursing Home Input Price Index:
Levels and Percentage Changes for Selected Components

Component	Twelve-month Period Ending						
	March			June	September	December	March
	1977	1978	1979	1979	1979	1979	1980
Levels (1977 = 100.0)							
National hospital input price index	94.3	102.0	110.8	113.4	116.3	119.3	122.8
Labor	94.0	102.2	111.1	113.7	116.3	119.1	122.4
Wages and salaries	94.3	102.1	110.6	113.1	115.7	118.4	121.7
Fringe benefits	91.3	102.8	114.8	118.0	120.5	123.6	127.2
Nonlabor	94.9	101.7	110.2	113.0	116.2	119.7	123.5
National nursing home input price index	95.4	101.9	111.5	114.0	116.6	119.4	122.5
Wages and salaries	95.7	102.0	111.6	113.8	116.1	118.4	120.7
Other	95.1	101.9	111.5	114.1	117.1	120.6	124.6
Annual Percentage Change							
National hospital input price index	8.5	8.2	8.6	9.0	9.6	10.1	10.8
Labor	9.7	8.7	8.7	9.0	9.1	9.5	10.2
Wages and salaries	8.5	8.3	8.3	8.6	8.9	9.2	10.0
Fringe benefits	17.7	12.6	11.7	11.5	10.7	10.4	10.8
Nonlabor	7.1	7.2	8.4	9.2	10.1	11.1	12.1
National nursing home input price index	6.8	6.8	9.4	9.5	9.5	9.5	9.9
Wages and salaries	7.9	6.6	9.4	9.2	8.9	8.5	8.2
Other	5.5	7.2	9.4	9.8	10.2	10.8	11.7

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Section D. Employment, Hours, and Earnings in the Health Care Sector

The labor market began to feel the effects of an economic downturn during the year ending March 1980. Employment in the private nonfarm economy continued to grow, as did average hourly earnings, but both grew at sharply diminished rates; and average weekly hours declined. In contrast, earnings growth in the private health care sector was unchanged; average weekly hours declined relatively less; and employment growth, while diminished, was stronger than in the private nonfarm economy as a whole. These contrasts between the private health sector and the private economy in general reflect the relative insulation of the former from general economic conditions. (See Section E.)²

The data in Table D-1 show the levels of employment, hours, and earnings in private (nongovernment) health industry³ establishments. These data were drawn from the Bureau of Labor Statistics "Establishment" survey of the private nonagricultural sector, which excludes—among other things—hospitals, clinics and other health-related establishments run by government. During the year ending March 1980, an average of 5.1 million persons were employed on a full-time or part-time basis in the private health care sector; nonsupervisory employees worked 32.9 hours each week and earned \$5.28 an hour. Hours in the private health sector were shorter than in the general private economy, and pay was a dollar less per hour; the former can be attributed to the relative frequency of part-time jobs, and the latter to the different mixes of occupations and overtime arrangements. (See, for example, [Fuchs].)

The trends in employment, hours, and earnings since late 1978 (Table D-2) indicate that the nongovernment health sector as a whole was more than maintaining its relative share of payrolls. Growth in total employment had been slower than in "all industries" (the private nonfarm economy) through the year ending September 1979; however, in subsequent twelve-month periods the rate of growth in the general economy slipped while that in the private health care sector remained roughly steady at 4.5 percent per year. Average weekly hours fell 0.6 percent from the year ending March 1979, compared to a decrease of 0.8 percent for all industries. Growth in average hourly earnings remained at 8.4 percent, while the rate of growth for all industries slipped to 8.1 percent.

Each of the major groups within the private health care sector exhibited signs of weakening growth, but the effects of the economic downturn varied by type of establishment. Compared to rates for calendar year

1979, growth in total employment increased for offices of physicians, surgeons and dentists, and decreased for private nursing homes and hospitals. However, weekly hours in offices of physicians and surgeons declined from the previous year, while increasing in hospitals. The net effect of these offsetting trends was an annual increase in workhours of 3.9 percent for the private health care sector as a whole. Annual growth in average hourly earnings remained strong, and—with the exception of nursing homes—increased over calendar year 1979 rates.

Two additional points should be made concerning these data. First, the statistics are means, rather than medians or modes: average hourly earnings is the ratio of total payrolls and total workhours, and average weekly hours is the ratio of total workhours and nonsupervisory employment. Thus, the statistics can be sensitive to shifts in the relative numbers of different types of employees, although such shifts are probably negligible in the short-run. Second, although the rate of growth of average hourly earnings in the private health care sector has been greater than that for all industries, the dollar gap between the two average wage rates has not diminished.

A second monthly survey, conducted jointly by the Bureau of Labor Statistics and the Bureau of the Census, is designed to yield information on unemployment and on demographic characteristics of the workforce, and yields information on employment by occupation as well, covering both the private and the public sector (Table D-3). The "Household Capital Survey," or Current Population Survey (CPS) seeks to determine the employment status of all adults (16 years and older) in each of 56,000 households. While the survey results are reliable for the primary objectives of the survey—measurement of unemployment and description of demographic characteristics of the workforce—the sampling and nonsampling errors associated with employment estimates for some occupations are quite large and the year-to-year change in these estimates is unreliable statistically, especially for such small, finely detailed occupation classifications as physicians (comprising less than one-half of one percent of the employed workforce).

Although the health professions data from the CPS should not be used to compare two consecutive time periods, they are the most recent data available for the employment of health professionals, and thus serve a useful purpose. Unlike the establishment data shown in Tables D-1 and D-2, these occupation employment estimates exclude non-medical staff of health-related establishments (such as secretaries and receptionists) and include medical personnel employed by non-health establishments (such as physician-researchers employed by pharmaceutical manufacturers and nurses employed in on-site health programs in the manufacturing sector). Combining all types of health-related occupations, average employment stood at 4.8 percent of total civilian employment in the year ending March 1980. Growth of this aggregate measure of employment was substantially higher than that of total civilian employment, as has been true since 1972, the earliest date for comparable health profession employment data from this source.

²For more detailed discussion of the labor force, see *Employment and Earnings* [BLS]. For more discussion of employment by occupation, see the January 1980 *Employment and Earnings*, and the Bureau of Health Manpower [1978, 1980].

³1972 Standard Industrial Classification 80, which excludes establishments controlled by government.

Table D-1. Average Employment, Hours and Earnings in Private Health Service Establishments,
by Selected Type of Establishment

Type of Establishment *	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
Health services (SIC 80)							
Total number of employees (thousands)	4,411.5	4,639.8	4,865.2	4,922.6	4,981.0	5,040.9	5,086.3
Nonsupervisory employees							
Number of employees (thousands)	3,953.0	4,148.2	4,335.8	4,384.1	4,435.2	4,489.2	4,530.6
Average weekly hours	33.1	32.9	33.1	33.0	33.0	33.0	32.9
Average hourly earnings	\$4.18	\$4.48	\$4.87	\$4.96	\$5.06	\$5.17	\$5.28
Offices of physicians and surgeons (SIC 801)							
Total number of employees (thousands)	622.2	653.9	687.7	696.6	705.5	714.6	725.9
Nonsupervisory employees							
Number of employees (thousands)	523.8	544.1	565.9	571.7	578.3	585.2	593.8
Average weekly hours	33.3	33.3	33.1	33.0	32.8	32.7	32.5
Average hourly earnings	\$4.32	\$4.69	\$5.08	\$5.18	\$5.28	\$5.39	\$5.51
Offices of dentists (SIC 802)							
Total number of employees (thousands)	270.9	291.1	303.5	307.3	311.4	315.8	323.1
Nonsupervisory employees							
Number of employees (thousands)	244.0	258.3	264.1	267.7	271.5	274.9	280.8
Average weekly hours	28.7	28.6	29.1	29.0	28.9	28.9	28.9
Average hourly earnings	\$4.27	\$4.56	\$4.78	\$4.89	\$5.01	\$5.13	\$5.22
Nursing and personal care facilities (SIC 805)							
Total number of employees (thousands)	822.0	872.6	933.3	948.6	963.5	978.8	984.1
Nonsupervisory employees							
Number of employees (thousands)	747.3	791.0	841.8	855.0	868.0	882.0	886.2
Average weekly hours	31.1	31.1	31.1	31.0	31.0	30.9	30.9
Average hourly earnings	\$3.13	\$3.33	\$3.65	\$3.72	\$3.80	\$3.87	\$3.94
Hospitals (SIC 806)							
Total number of employees (thousands)	2,391.5	2,486.9	2,575.9	2,598.4	2,622.4	2,647.5	2,662.0
Nonsupervisory employees							
Number of employees (thousands)	2,167.4	2,259.9	2,351.3	2,372.1	2,394.0	2,418.1	2,433.3
Average weekly hours	34.3	34.0	34.1	34.1	34.1	34.2	34.2
Average hourly earnings	\$4.42	\$4.75	\$5.16	\$5.26	\$5.37	\$5.48	\$5.61
Addendum: all private nonagricultural establishments							
Total number of employees (thousands)	65,053	68,192	71,903	72,667	73,344	73,870	74,313
Nonsupervisory employees							
Number of employees (thousands)	53,309	55,873	58,854	59,445	59,966	60,358	60,676
Average weekly hours	36.0	35.9	35.9	35.8	35.7	35.7	35.6
Average hourly earnings	\$4.95	\$5.35	\$5.81	\$5.93	\$6.05	\$6.17	\$6.28

* 1972 Standard Industrial Classification (SIC)

Source: based on data from the Bureau of Labor Statistics (Establishment Survey), U.S. Department of Labor

Table D-2. Annual Percentage Change In Employment, Hours and Earnings In Private Health Service Establishments, by Selected Type of Establishment

Type of Establishment *	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
Health services (SIC 80)							
Total number of employees	5.5	5.2	4.9	4.8	4.8	4.8	4.5
Nonsupervisory employees							
Number of employees	5.0	4.9	4.5	4.5	4.5	4.7	4.5
Average weekly hours	-0.9	-0.6	.6	.0	.0	.0	-0.6
Average hourly earnings	7.5	7.2	8.7	8.5	8.4	8.4	8.4
Offices of physicians and surgeons (SIC 801)							
Total number of employees	5.7	5.1	5.2	5.1	5.1	5.2	5.6
Nonsupervisory employees							
Number of employees	4.8	3.9	4.0	3.9	4.1	4.4	4.9
Average weekly hours	.3	.0	-0.6	-0.6	-0.9	-1.2	-1.8
Average hourly earnings	7.7	8.6	8.3	8.4	8.2	8.2	8.5
Offices of dentists (SIC 802)							
Total number of employees	7.4	7.5	4.3	4.3	4.7	5.2	6.5
Nonsupervisory employees							
Number of employees	7.4	5.9	2.2	3.0	4.2	4.9	6.3
Average weekly hours	-1.0	-0.3	1.7	1.0	.0	-0.3	-0.7
Average hourly earnings	8.1	6.8	4.8	5.4	7.1	9.1	9.2
Nursing and personal care facilities (SIC 805)							
Total number of employees	6.6	6.2	7.0	6.9	6.8	6.7	5.4
Nonsupervisory employees							
Number of employees	6.6	5.8	6.4	6.5	6.4	6.5	5.3
Average weekly hours	-0.6	.0	.0	-0.3	-0.6	-1.0	-0.6
Average hourly earnings	7.9	6.4	9.6	9.1	8.9	8.4	7.9
Hospitals (SIC 806)							
Total number of employees	4.4	4.0	3.6	3.6	3.6	3.7	3.3
Nonsupervisory employees							
Number of employees	3.7	4.3	4.0	3.9	3.8	3.8	3.5
Average weekly hours	-1.2	-0.9	.3	.3	.3	.3	.3
Average hourly earnings	7.5	7.5	8.6	8.5	8.5	8.5	8.7
Addendum: all private nonagricultural establishments							
Total number of employees	3.8	4.8	5.4	5.1	4.7	4.1	3.4
Nonsupervisory employees							
Number of employees	3.8	4.8	5.3	5.0	4.5	3.9	3.1
Average weekly hours	-0.3	-0.3	.0	-0.3	-0.6	-0.3	-0.8
Average hourly earnings	7.4	8.1	8.6	8.8	8.6	8.4	8.1

* 1972 Standard Industrial Classification (SIC)

Source: based on data from the Bureau of Labor Statistics (Establishment Survey), U.S. Department of Labor

Table D-3. Employment of Health Professionals and Workers, by Selected Occupation
(Thousands of Persons Employed)

Occupation	Twelve-month Period Ending						
	1977	March 1978	1979	June 1979	September 1979	December 1979	March 1980
All health occupations	4,083	4,285	4,519	4,543	4,581	4,627	4,688
Practitioners	676	737	772	771	779	787	785
Medical and osteopathic physicians	369	410	433	431	430	431	433
Dentists	105	110	120	123	129	131	132
Pharmacists	126	137	137	134	133	135	129
Nurses, dietitians and therapists	1,230	1,310	1,392	1,426	1,464	1,488	1,511
Registered nurses	1,013	1,084	1,148	1,173	1,206	1,223	1,248
Therapists	169	180	194	201	203	208	205
Health technologists and technicians	440	475	503	506	521	534	545
Clinical laboratory	190	202	206	201	209	217	221
Radiologic	81	88	100	106	106	104	102
Health service workers	1,737	1,763	1,852	1,840	1,817	1,818	1,847
Nursing aides, orderlies and attendants	994	1,024	1,028	1,021	1,014	1,024	1,055
Practical nurses	381	371	405	397	382	376	371
Health aides, excluding nursing	239	244	281	284	284	282	292
Dental assistants	123	125	138	138	136	134	130
Addenda: total civilian employment	88,107	91,537	95,248	95,825	96,437	96,935	97,661
All health occupations as a percent of total employment	4.6	4.7	4.7	4.7	4.8	4.8	4.8

Source: based on data from the Bureau of Labor Statistics (Household Survey), U.S. Department of Labor

Section E. Selected National Economic Indicators

Trends in health prices, utilization, and expenditure cannot be understood without reference to broader economic forces which affect the U.S. society. This section provides the backdrop of national economic activity against which the health sector should be viewed. The national indicators discussed cover output, employment, and prices.

OUTPUT

The Gross National Product (GNP)—one measure of the dollar value of the output of the U.S. economy—was \$2.4 trillion in the year ending March 1980 (Table E-1). The growth rate posted for the GNP, 10.4 percent, represented a sharp departure from the recent growth range of 11-13 percent (Table E-2) and was considerably slower than the annual growth of national health expenditures. Unlike national health expenditures, growth in the GNP is influenced heavily by international flows of goods and services and by changes in business inventories.

Commerce Department analysts also estimate constant-dollar ("real") Gross National Product. This measure specifically removes the effects of price change from the valuation of goods and services produced, so that the growth of the real GNP reflects the change of the "physical" output of the economy. Growth of the real GNP slowed to a rate of 1.4 percent for the year ending March 1980.

The GNP implicit price deflator reflects the changes of prices and of the composition of output since 1972. This measure covers many items—such as construction—not covered by health-related price measures,

and it subsumes consumer prices, wholesale prices, import prices, and so on. As for calendar year 1979, the deflator for the year ending March 1980 rose 8.8 percent from the previous year, part of a general upward trend which began in the year ending March 1977.

For a more detailed analysis of the business situation, as well as for estimates of quarterly GNP, see *The Survey of Current Business* [BEA].

EMPLOYMENT, HOURS AND EARNINGS

During the year ending March 1980, an average of 5.8 percent of all workers were unemployed, compared to 5.9 percent the previous year. Continuing a long-run downward trend, the average work week of nonsupervisory workers was 35.6 hours, and the rate of growth of average hourly earnings dropped to a rate of 8.1 percent. Growth of employment in the private health sector slowed to a rate of 4.5 percent, while average hours and average hourly earnings proved more resistant to the economic slump. (See Section D for more detail.)

PRICES

As discussed previously in Section C, the annual growth of consumer prices began an upward trend in the year ending June 1977, reaching a rate of 12.3 percent in the year ending March 1980. Annual growth in the Producer Price Index for finished consumer goods, a measure of wholesale prices and a forerunner of consumer prices, rose even more quickly, to a growth rate of 13.1 percent. For a detailed discussion of the Producer Price Index, see *Producer Prices and Price Indexes* [BLS].

Table E-1. Selected National Economic Indicators

Indicator	Twelve-month Period Ending						
	March			June	September	December	March
	1977	1978	1979	1979	1979	1979	1980
Gross National Product (GNP)							
Billions of dollars	\$1,743.8	\$1,947.3	\$2,197.7	\$2,254.1	\$2,313.4	\$2,368.8	\$2,426.0
Billions of 1972 dollars	\$1,287.1	\$1,353.5	\$1,414.9	\$1,421.7	\$1,428.2	\$1,431.6	\$1,435.2
Implicit price deflator (1972=100)	135.48	143.87	155.33	158.55	161.98	165.46	169.04
Employment, hours and earnings							
Unemployment rate, all workers	7.6%	6.7%	5.9%	5.8%	5.8%	5.8%	5.8%
Private nonagricultural workers:							
Total number of employees (000)	65,053	68,192	71,903	72,667	73,344	73,870	74,313
Average weekly hours	36.0	35.9	35.9	35.8	35.7	35.7	35.6
Average hourly earnings	\$4.95	\$5.35	\$5.81	\$5.93	\$6.05	\$6.17	\$6.28
Health services * workers:							
Total number of employees (000)	44,115	46,398	48,652	49,226	49,810	50,409	50,863
Average weekly hours	33.1	32.9	33.1	33.0	33.0	33.0	32.9
Average hourly earnings	\$4.18	\$4.48	\$4.87	\$4.96	\$5.06	\$5.17	\$5.28
Prices (1967=100)							
Consumer Price Index, all items	172.9	184.4	200.1	205.2	211.0	217.4	224.8
Producer Price Index **, finished consumer goods	170.8	181.7	197.6	202.7	208.6	215.7	223.5

* 1972 Standard Industrial Classification (SIC)

** formerly called the "Wholesale Price Index"

Source: based on data from the Bureau of Economic Analysis, U.S. Department of Commerce; and from the Bureau of Labor Statistics, U.S. Department of Labor

Table E-2. Annual Percentage Change in Selected National Economic Indicators

Indicator	Twelve-month Period Ending						
	1977	March 1978	March 1979	June 1979	September 1979	December 1979	March 1980
Gross National Product (GNP)							
Current dollars	10.5	11.7	12.9	12.5	12.2	11.3	10.4
Constant (1972) dollars	5.1	5.2	4.5	3.8	3.3	2.3	1.4
Implicit price deflator	5.1	6.2	8.0	8.3	8.7	8.8	8.8
Employment, hours and earnings							
Unemployment rate, all workers	-7.7 †	-9.9 †	-8.8 †	-6.6 †	-4.4 †	-2.2 †	-1.1 †
Private nonagricultural workers:							
Total number of employees	3.8	4.8	5.4	5.1	4.7	4.1	3.4
Average weekly hours	-3.3	-3.3	.0	-3.3	-6.6	-3.3	-8.8
Average hourly earnings	7.4	8.1	8.6	8.8	8.6	8.4	8.1
Health services * workers:							
Total number of employees	5.5	5.2	4.9	4.8	4.8	4.8	4.5
Average weekly hours	-4.9	-6.6	.6	.0	.0	.0	-6.6
Average hourly earnings	7.5	7.2	8.7	8.5	8.4	8.4	8.4
Prices							
Consumer Price Index, all items	5.6	6.7	8.5	9.4	10.3	11.3	12.3
Producer Price Index **, finished consumer goods	3.1	6.4	8.8	9.7	10.7	12.0	13.1

† period-to-period change in rate

* 1972 Standard Industrial Classification (SIC)

** formerly called the "Wholesale Price Index"

Source: based on data from the Bureau of Economic Analysis, U.S. Department of Commerce; and from the Bureau of Labor Statistics, U.S. Department of Labor

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Gibson, Robert M. "National Health Expenditures, 1979," *Health Care Financing Review* (Summer 1980); Health Care Financing Administration, Washington, D.C.

Appendix Contacts for Further Information

Under the general supervision of Mary E. Rieder, Acting Director, the following members of the Division of National Cost Estimates (Office of Research, Demonstrations, and Statistics; Health Care Financing Administration) have contributed to the estimates shown in this publication. They are listed by the specific type of service or source of funds for which they provided information.

Any member of the Division of National Cost Estimates may be contacted at this address:

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Drugs and sundries	Robert Gibson	(202) 245-6594
Eyeglasses	Carol Schendler	(202) 245-6594
Nursing-home care	Charles Fisher	(202) 245-6594
Research	Carol Schendler	(202) 245-6594
Health insurance	Marjorie Carroll	(202) 245-7203
	Ross Arnett III	(202) 245-7203
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National Nursing Home Input Price Index	Charles Fisher	(202) 245-6594
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Other sections of <i>Trends</i> , general, or not listed	Daniel Waldo	(202) 245-7203

Data underlying the estimates shown in this publication have come from a number of sources inside and outside the Federal Government. For further information about the tables and descriptions in *Trends* itself, contact the appropriate member of the Division of National Cost Estimates listed above. For information outside the scope of *Trends*, see the following.

National Hospital Panel Survey

Monthly data are published with a three-to-four-month lag in *Hospitals J.A.H.A.*

contact: Peter Kralovec,
AHA Hospital
Data Center
(312) 280-6523

Consumer Price Indexes

Monthly data are released around the 25th of the following month, and published in the *CPI Detailed Report*.

contact: BLS Division of Consumer Prices
and Price Indexes
(202) 272-5160

Producer Price Indexes

Monthly data are released on the first Friday of the following month, and are revised four months later. They are published in *Producer Prices and Price Indexes*.

contact: BLS Division of Industrial Prices
and Price Indexes
(202) 523-1222

Employment and unemployment (CPS or Household data)

Monthly data are released on the first Friday of the following month, and published in *Employment and Earnings*. Occupation data are published in the January issue.

contact: BLS Office of Current
Employment Analysis

(202) 523-1944

Employment, hours and earnings (Establishment or 790 data)

Monthly data are released on the first Friday of the following month, and are revised in two subsequent months and early in the fall. They are published in *Employment and Earnings*.

contact: BLS Division of Industry
Employment Statistics

(202) 523-1146

Gross National Product

Quarterly data are released around the 20th of the month following the end of the quarter, and are revised in two subsequent months and in July. They are published in *The Survey of Current Business*.

contact: BEA National Income and
Wealth Division

(202) 523-0824

Medicare and Medicaid data

Availability of data varies with the type of data requested.

contact: ORDS Statistical Information
Services Branch

(301) 594-6702

Abbreviations:

AHA —American Hospital Association
BEA —Bureau of Economic Analysis, U.S. Department of Commerce
BLS —Bureau of Labor Statistics, U.S. Department of Labor
ORDS—Office of Research, Demonstrations, and Statistics; Health Care Financing Administration
(U.S. Department of Health and Human Services)

Health Care Financing Trends

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